(v) The Budget for 2005-06 rationalized the duty structure on petroleum products in a revenue neutral manner. Customs duty on import of crude oil was reduced from 10 per cent to 5 per cent and excise and customs duties on PDS Kerosene and domestic LPG were completely removed. The loss of revenue through such reductions was made good through revision of excise duties on motor spirit and HSD. The specific components of excise duty on motor spirit and HSD has been enhanced with a corresponding reduction in the *ad valorem* component to soften the impact of crude price volatility in the world market.

Reduction in excise duty on cars

† *129. SHRIMATI PREMA CARIAPPA:
SHRI MOTILAL VORA:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that his Ministry reduced the excise duty of cars in 2000-2001 which had been further reduced in 2001 -02 and 2002-03;

(b) whether it is also a fact that various companies did not reduce the prices of cars in proportion to the reduction in duty;

(c) whether the CAG has raised objection in its Report for not passing on the benefit of to the consumers;

(d) if so, the details thereof along with names of such companies; and

(e) the action taken by Government to recover the amount from the companies concerned?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) There was no reduction in excise duty in the budget 2000-01. In budget 2001-02, excise duty on passenger cars was reduced from 40% to 32%. There was no reduction in excise duty on passenger cars in budget 2002-03 and excise duty remained at 32%.

(b) While generally the prices came down consequent to reduction in excise duty, it is a fact that the reduction in prices in some cases, in the long run, were not in proportion to the duty reduction.

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† Original notice of the question was received in Hindi.

(c) and (d) The Audit Report of the C&AG for India (Indirect Taxes) for the year 2003-04 on 'Excise duty on Motor Vehicles for transport of persons and goods' has pointed out that reduction in prices of motorcars during the relevant period was not proportionate to the level representing excise duty reduction. It was opined in the Report that manufacturers of motorcars/ vehicles in certain segments retained substantial amounts representing elements of reduced duty and thereby benefited, to the detriment of interest of consumers. The details of the amount reportedly retained by the manufacturers consequent on reduction in excise duty in 2001-02 budget, as compiled in the said Audit Report is as follows:

Manufacturer	Percentage of the total benefit passed on to the consumer	Percentage of the total benefit retained by the manufacturer
Mahindra and Mahindra	51	49
Tata Motors	59	41
Maruti Udyog	66	34
Skoda India	17	83
Honda Siel Cars	57	43

(e) There is no mandatory or legal requirement to pass on every excise duty cut in the same proportion to consumers. Duty cuts can be given for various reasons, including improving the health of the industry, reducing consumer prices, compensating for rising costs in some areas, improving competitiveness and so on. The question of recovery of duty does not arise only because the benefit of the duty reduction is not fully passed on the consumers.

Airports in NER

*130. SHRI KARNENDU BHATTACHARJEE: Will the Minister of CIVIL AVIATION be pleased to state:

(a) the number of airports which have been improved in the North Eastern Region;